



# Department of Defense Utilities Privatization Program



Acquisition Track, Session 7  
August 10, 2004

Captain Rick Marrs  
Office of the Deputy Under Secretary of Defense  
(Installations and Environment)



# Imperatives for Privatizing Utilities

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- **Utility ownership is not a core DoD function**
- **Missions must be properly supported**
- **Historically, DoD utilities are under funded**
- **DoD needs industry's best practices, innovations, financing and economies of scale**
- **Privatization is the preferred tool for providing utility service at industry standards!**



# Defense Secretary Guidance

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- **Privatize all utility systems, unless**
  - Security concerns preclude privatization
  - Cannot achieve economic benefit
    - o Understand lack of response
    - o Understand barriers to economic deals
- **Promote competition**
- **Apply consistent economic analysis**
  - Support sound decisions
- **Complete decisions by SEP 2005**



# Improvements Since 2002

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- **Air Force and Army templates improved**
  - Consistent within Military Service
  - Permits third party financing
  - Encourages other commercial business practices
  - Eased Right of Way restrictions
- **Due diligence requirements adjusted**
- **Centers of Expertise and centralized management**
  - Contracting Officers more experienced and flexible
- **Sharing information between Services**



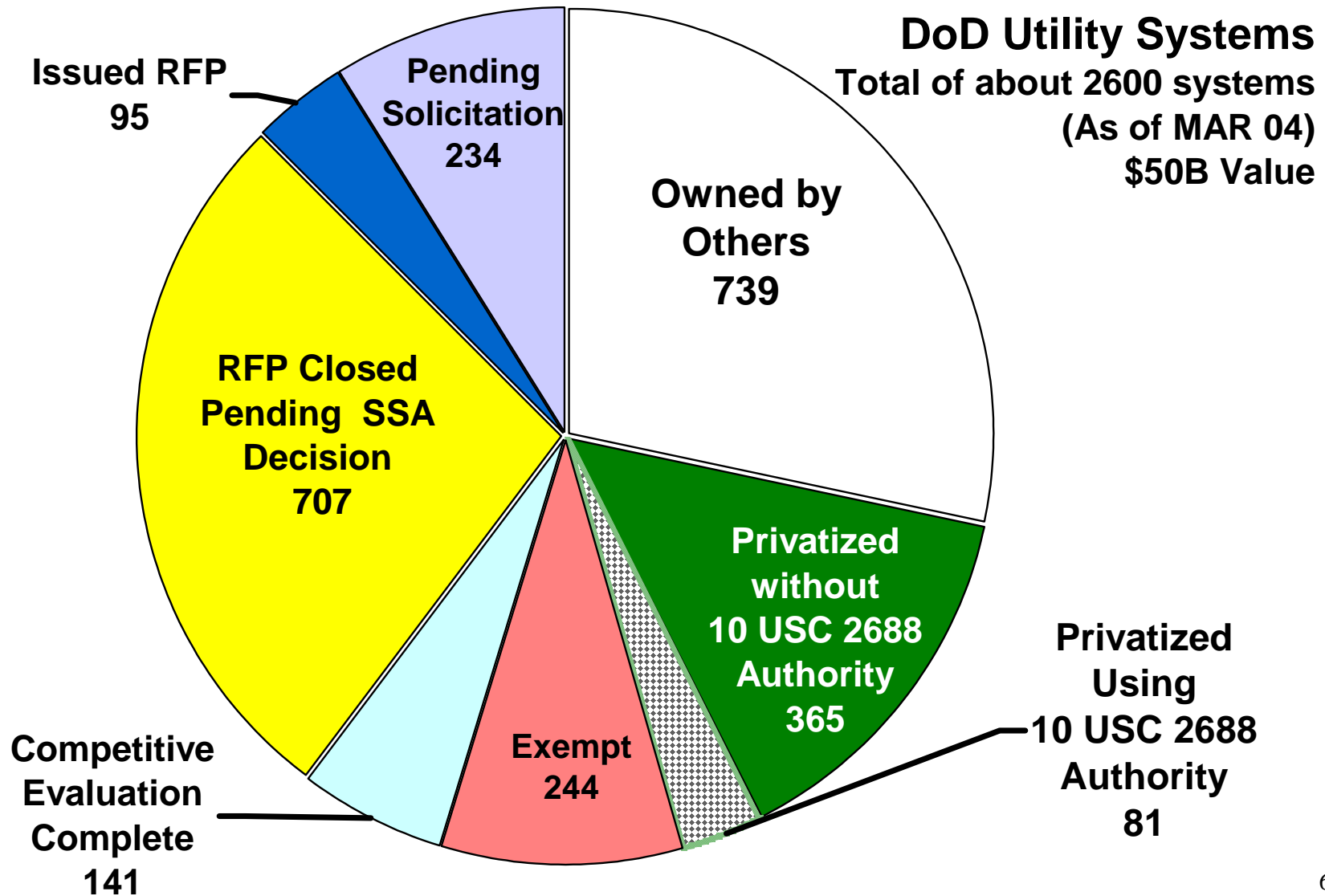
# Ongoing Issues

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- **Completing competitive process by Sep 05**
- **Services ensuring sound contract management**
- **Aggressively completing proposal evaluations**
- **Enable industry to use common business practices?**
- **Industry forum to obtain feedback Sept 2004**
- **Improve partnership with industry**

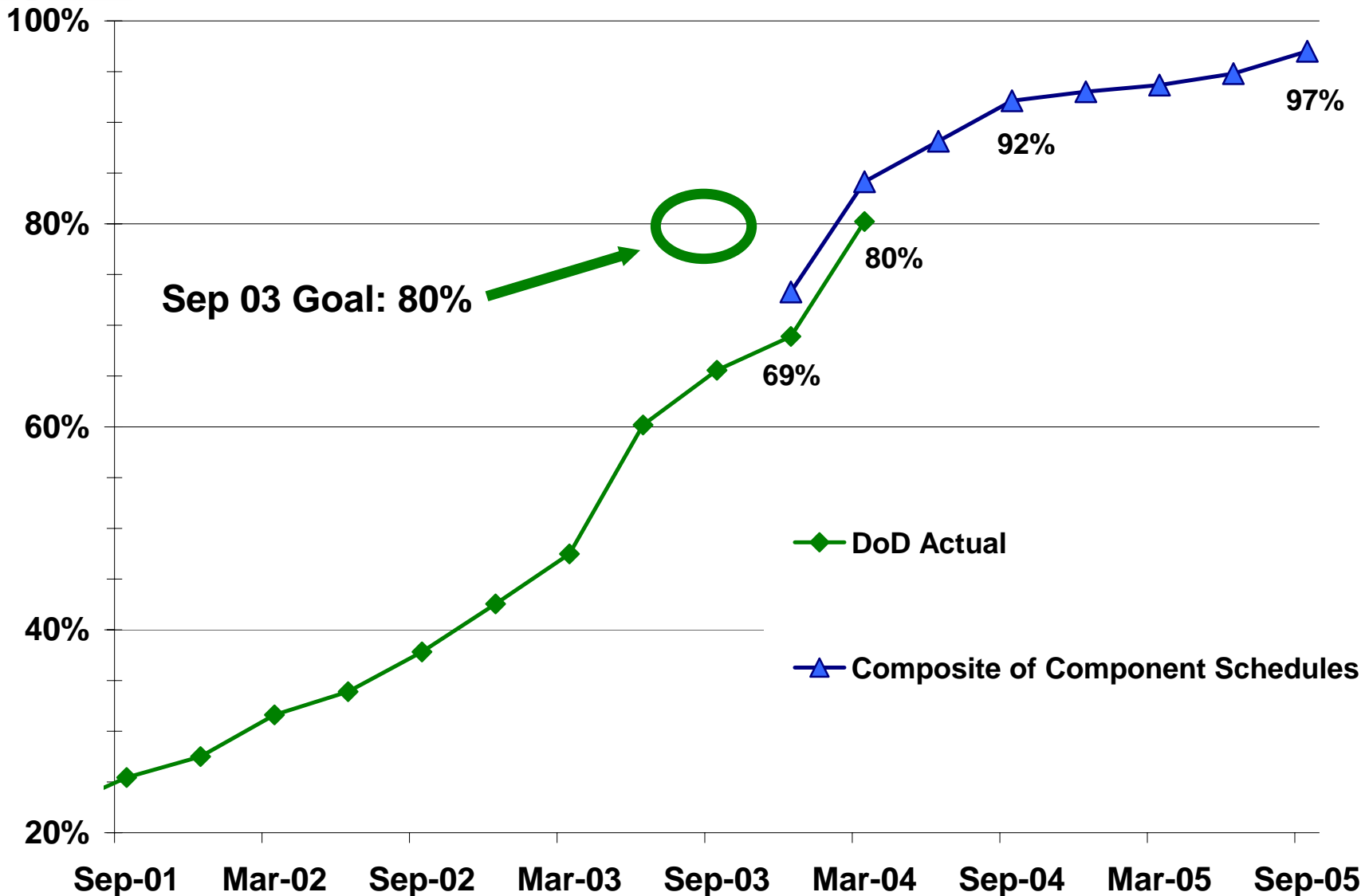


# DoD Utilities Privatization Status



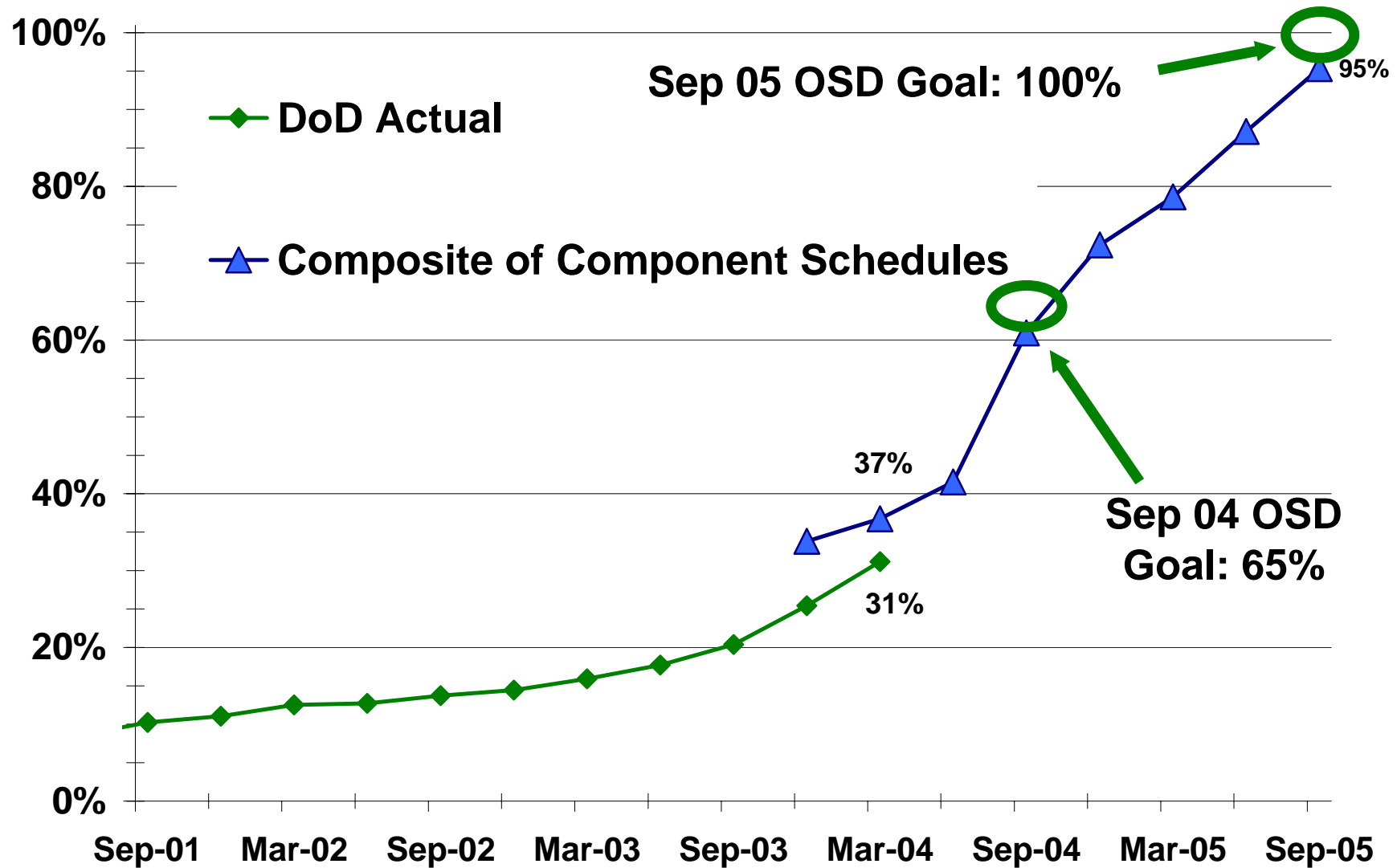


# DoD System RFPs Closed or Exempt





# Systems Through Competitive Process







# Key Financing Considerations

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- **Long term government contract**
  - Reliable accounts receivable stream
- **Very favorable rates available**
- **100 percent financing possible**
- **Available to meet capital investment needs**
- **Government poised to take advantage of private sector**





# Industry Opportunities

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- **Business growth opportunity**
  - Rate base expansion
  - Increased economies of scale
- **Gain long term customer/partner**
  - Reasonable profit generated
  - Bills paid in a timely manner
  - Finance terms should be favorable



# Contracting Offices

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- **Army**
  - Defense Energy Support Center (DESC)
  - Army Contract Agency (ACA) offices
  - Corps of Engineers, Huntsville & other regions
- **Navy and Marine Corps**
  - Naval Facilities Engineering Command (NAVFAC)
    - o East Coast, West Coast & other regions
  - DESC
- **Air Force Civil Engineer Support Agency**
  - DESC
  - 21 Contracting Squadron, GSA
- **Defense Logistics Agency (DLA)**
  - DESC
  - Local contracting officers



# *Points of Contact*

Installations & Environment

- **Office of Deputy Under Secretary of Defense (Installations and Environment)**
  - <http://www.acq.osd.mil/ie/irm/utilities/utilities.htm>
  - Captain Rick Marrs, CEC, USN (703) 697-6193
- **Army Assistant Chief of Staff (Installation Management)**
  - <http://www.pts.army.mil/>
  - Bob Sperberg (703) 601-0367
- **Department of the Navy**
  - <http://energy.navy.mil/privatization/> General UP info and current RFP's
  - <http://www.esol.navfac.navy.mil/> Solicitations
  - Commander Navy Installations- LCDR Roland de Guzman (703) 601-1632
  - Marine Corps- David Heinrichs (703) 695-9781
  - Naval Facilities Engineering Command Bill Tayler (202) 685-9254
- **Air Force Office of the Civil Engineer (Readiness & Installation Support)**
  - <http://www.afcesa.af.mil/Directorate/CEO/Contracts/UtilPrivatization/default.htm>
  - LTC Jeff Knippel (703) 604-4220
- **Defense Energy Support Center (DESC) Utility Privatization Branch**
  - <http://www.desc.dla.mil/>
  - Jim Cotton (703) 767-8135
- **Federal Business Opportunities**  
<http://www.fedbizopps.gov/>

<http://www.acq.osd.mil/ie/irm/utilities/utilities.htm>

# INSTALLATION REQUIREMENTS AND MANAGEMENT

## "Combat Power Begins at Home"

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## Utilities Privatization

Utilities privatization is a method by which military installations can obtain safe, technologically current, and environmentally sound utility systems, at a relatively lower cost than they would under continued government ownership. In the privatization process, military installations shift from the role of owner-operators to that of smart utility service customers.

### General Informations

[Program Brief](#) - (Microsoft Power Point Presentation)

[Terminology](#)

### Economic Analysis Tool

**NEW -- UPEAST 6.2 -- NEW**  
(April 2004, includes updated OMB discount/inflation rates)

[ODUSD UPEAST Memo](#)

[History of UPEAST Changes](#)



# Summary

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- **Each Service Secretary is committed**
- **Seeking wide participation**
- **Aggressively executing schedule, SEP 2005**
- **Effective communication will ensure  
win-win partnerships**



# DoD Industry Forum

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## **DESC Worldwide Energy Conference**

**September 29, 2004**

**12:00 to 5:00 pm**

**The Hyatt Regency Crystal City**

**<http://www.desc.dla.mil/>**

**Send your issues to**

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***Questions?***

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***[www.acq.osd.mil/ie/irm/utilities/utilities.htm](http://www.acq.osd.mil/ie/irm/utilities/utilities.htm)***